

Policy Statement
Documentation required for the Removal of
Non-existing Assets from FAA Property Systems
September 30, 2001

Background

During its audit of the financial statements of the Federal Aviation Administration (FAA) for the year ended September 30, 2000, the Office of Inspector General (OIG) found errors in the property and equipment account relating to equipment reported as being in existence when in fact the equipment had been disposed of, destroyed or dismantled. Based on the results of tests, the OIG concluded that the possible monetary effect of these errors was an overstatement of equipment value in an amount approximating \$280 million. As a part of the corrective action approved by the OIG, FAA regions and centers are in the process of examining 535 property records that could contain similar errors. The foregoing audit results indicate a need to revise current policy for removing property and equipment from the property accounts (property accounting systems).

Current Policy

Statement of Federal Financial Accounting Standards (SFFAS) Number 6, *Accounting for Property, Plant, and Equipment*, provides that general property, plant, and equipment shall be removed from the general property, plant, and equipment accounts along with associated accumulated depreciation/amortization in the period of disposal. (i.e., same fiscal year).

Current FAA Guidelines are contained in the following:

- FAA Order 4660.8, Real Property Management and Disposal, Section 6, provides that the record of property that has been disposed of, destroyed or dismantled should not be removed from property accounts until a report of investigation, notice of survey or other appropriate paperwork documenting the action has been completed.
- FAA Order 4630.3C, Survey of Lost, Damaged, or Destroyed Government Personal Property, paragraph 12.h, states that property should not be removed from property records until after the survey process has been completed.

Because of delays in completing the required paperwork, the record of property that has been disposed of, destroyed or dismantled often remains in the property accounts and systems for extended periods. This results in inaccurate records both during the year and at yearend. These inaccurate records result in an overstatement of operating costs because the associated property continues to be depreciated.

Revised Policy

In order to meet the requirements of SFFAS No.6, remove property and equipment, no longer in existence, from property records as soon as it is known that they no longer exist. Before the completion of requirements contained in FAA Orders 4660.8 and 4630.3C, the following interim documentation to support the action taken is acceptable for property removal and support.

Notification via email or memorandum from the custodian or another supervisor or manager indicating that the property no longer exists, addressed to the regional/center property manager (AXX-50) or equivalent), containing the following information:

Description of the property in enough detail to identify the asset record, including, when applicable, the approximate date of destruction or disappearance, the item's name, identification number, equipment type, NSN, location, cost center code and GSA address to which it was assigned and any known circumstances surrounding the destruction, disposition, etc.

A sample "format" is included. Its use is optional as long as the above information is included in the notification. The applicable regional property manager will keep a copy of the notification in the asset folder.

The formal documentation (as required in FAA Orders 4660.8 and 4650.3A) is still required and, once completed will be filed in the appropriate asset folder along with the interim notification. If after 120 days, formal documentation is not received, the property manager is to follow up with the custodian.

Effective Date

This policy revision is effective October 1, 2001 for the fiscal year 2002.

Concur:

OIG

Carl T. Hickey

Date

9/28/01

AFM

Patrick J. Henderson

Date

9/28/01

AFZ

Steve R. Collier

Date

9/28/01

ASU

Harry E. Camp

Date

9/27/01

Date:

Initiator

(name, title, and organization)

Asset:

(name and description*)

Physical Location:

(city and state)

Organizational Location:

(region, cost center, GSA address)

**Reason/circumstances surrounding the property
no longer being in existence.**

Submitted by:

/s/ Property custodian or other facility manager/supervisor

Approved by:

/s/ AXX-50 or equivalent

*for personal property, where applicable, NSN, serial number, PIN #,
FAC Cont, and LOC ID
for real property, the ATID, GSA #, facility contraction, property and usage code